

Message Text

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FM AMEMBASSY VALLETTA

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TAGS: EFIN, MT

SUBJ: EX-IM BANK AND PHOENIX TEXTILES

REF: VALLETTA 0827, VALLETTA 0618, VALLETTA 0395

1. EMBOFF MET WITH PROF JOSEPH CANADO ON JULY 20 TO UPDATE THE PHOENIX SITUATION. GANDADO STATED THAT THE JUDGE CONDUCTING THE LIQUIDATION PROCEEDINGS HAD REQUESTED AN INDEPENDENT APPRAISAL OF THE FIRM'S ASSETS. THIS APPRAISAL IS NOT EXPECTED TO BE COMPLETED BEFORE OCTOBER, 1976. THE DELAY IS DUE TO THE JUDGE'S INVOLVEMENT IN A MAJOR AND VER COMPLICATED LOCAL LAWSUIT, AND A CERTAIN AMOUNT OF FOOT DRAGGING ON THE PART OF GANADO.

2. HAVING BEEN UNABLE TO REACH A SOLUTION TO THE PHOENIX PROBLEM WHICH IS STATISFACTORY TO BOTH THE STOCKHOLDERS AND THE PRESENT MALTA LABOR GOVERNMENT, DANADO ADMITS THAT HE NOW HOPES TO DELAY FINAL LIQUDIATION UNTIL AFTER THE RAPIDLY-APPROACHING MALTESE PARLIAMENTARY ELECTIONS ARE HELD. SHOULD THE ELECTIONS RESULT IN A CHANGE OF GOVERNMENT, AS HE ANTICIPATES, THEN GANADO BELIEVES THE POSSIBILITY OF ACHIEVING A SATISFACTORY SOLUTION TO THE PHOENIX PROBLEM WILL BE GREATLY ENHANCED.

3. ACCORDING TO GANADO, LEESONA LTD IS A PREFERRED
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CREDITOR AND NO DOUBT EVENTUALLY WILL BE FULLY REIMBURSED,

WHATEVER THE FINAL LEGAL OUTCOME. JAMES LAWRENCE & CO IS NOT A PREFERRED CREDITOR, HOWEVER, AND THERE IS NO ASSURANCE THAT A LIQUIDATION WILL PERMIT FULL RECOVERY FROM PHOENIX OF THE DEBT OWED LAWRENCE.

4. WHILE THERE IS ALSO NO GUARANTEE THAT JAMES LAWRENCE & CO WILL BE FULLY PAID UNDER ANY OTHER SOLUTION TO THE PROBLEM, THE STOCKHOLDERS AND MANAGEMENT OF PHOENIX ARE RESOLVED TO DO EVERYTHING POSSIBLE TO RETAIN THE FIRM'S GOOD-WILL BY FULLY PAYING OFF ALL DEBTS. AN EXAMPLE OF PHOENIX'S INTENT IN THIS REGARD, AND ALSO AN INDICATION OF THE COMPLICATED EXTRA-LEGAL NATURE OF THE PRESENT SITUATION VIS-A-VIS PHOENIX AND MOSTA SPINNING, WAS CITED BY GANADO. HE NOTED THAT DAWOOD HOLDINGS LTD., A COTTON SUPPLIER AND THE LARGEST SINGLE PRIVATE CREDITOR OF PHOENIX, IS CURRENTLY SUPPLYING MOSTA SPINNING. ON EACH SHIPMENT, DAWOOD IS BEING QUIETLY REIMBURSED FOR MORE THAN THE VALUE OF THE SHIPMENT, A RUSE TO ALLOW MOSTA SPINNING TO GRADUALLY PAY OFF THE DEBT OWED BY PHOENIX.

5. GANADO BELIEVES, AND THE EMBASSY AGREES, THAT NEITHER THE LABOR GOVERNMENT, NOR A NATIONALIST GOVERNMENT, IF ELECTED, WILL PERMIT THE PHOENIX/MOSTA SPINNING OPERATIONS TO CLOSE DOWN, THROWING HUNDREDS OUT OF WORK. NOR DOES GANADO BELIEVE (AGAIN IN ACCORD WITH THE EMBASSY'S VIEW) THAT LIQUIDATION IN DUE COURSE WILL PRODUCE A FOREIGN BUYER FOR THE FIRM. ALTHOUGH GANADO CONTINUES TO CON- TEND THAT THERE IS AN ELEMENT OF GOM EXPROPRIATION INVOLVED, HE ADMITS THAT PHOENIX HAS ENTERED VOLUNTARY LIQUIDATION. HE ALSO ADMITS THAT THE GOM HAS ATTEMPTED TO REACH A SETTLEMENT, WHICH, BEING UNSATISFACTORY FROM THE SHAREHOLDERS' STANDPOINT, HAS PROMPTED HIM, AS LIQUIDATOR, TO FORESTALL FURTHER NEGOTIATIONS OR FINAL LIQUIDATION UNTIL AFTER THE IMPENDING MALTESE PARLIAMENTARY ELECTIONS.

6. ALTHOUGH THE MALTESE MINISTRY OF FOREIGN AFFAIRS STILL HAS NOT REPLIED TO OUR OFFICIAL NOTE OF NOVEMBER 13, 1975, THE EMBASSY HAS OBTAINED AND IS FORWARDING BY POUCH A LIMITED OFFICIAL USE

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LIST OF PHOENIX'S CREDITORS. THE TOTAL AMOUNTS TO SOME LM 312,000 (APPROXIMATELY US\$735,000), WHICH IS OWED TO 70 DIFFERENT FOREIGN AND LOCAL CREDITORS.

7. COMMENT: THE ACTIONS OF THE PHOENIX SHAREHOLDERS AND THEIR REPRESENTATIVES MAKE ANY CLAIM OF EXPROPRIATION DIFFICULT TO SUSTAIN. AS A PRACTICAL MATTER, GANADO'S DECISION TO KEEP THE MATTER ON THE SHELF FOR A FEW MORE

MONTHS UNTIL AFTER THE MALTESE PARLIAMENTARY ELECTIONS
SEEMS WILL REASONED. THE ELECTIONS MUST BE HELD NOT LATER
THAN NOVEMBER 12-13, 1976. AFTERWARD, NEW EFFORTS TO
RECOVER ALL DEBTS OWED TO THE EX-IM BANK BY PHOENIX WOULD
BE MUCH MORE LIKELY TO PRODCE RESULTS. THE EMBASSY WILL
CONTINUE TO FOLLOW THE SITUATION CLOSELY IN THE MEANTIME
AND WILL REPORT PROMPTLY SHOULD THERE BE ANY CHANGE IN
THE PRESENT CIRCUMSTANCES. WIGGINS

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